

PROJECT OVERSIGHT REPORT

Merchandising Business Systems Project (MBS)
Washington State Liquor Control Board (WSLCB)

Report as of Date:
August 2003

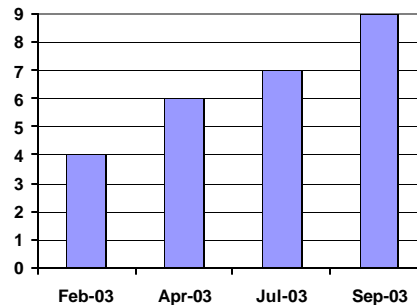
Project Director: Linda Bremer
Executive Sponsor: Pat Kohler

MOSTD Staff: Andy Marcelia

Severity/Risk Rating: High (high severity, high risk)

Oversight: Level 3 – ISB

Overall Project Risk Assessment



Staff Recommendations: ISB staff continues to recommend that the vendor implement effective project management standards outlined in the contract that will provide improved project management activities that identify adjustments in the project plan to meet the objectives of this project. GERS Retail Systems (GERS) has not maintained a current, detailed project plan on a regular basis to identify delays, slippages, and where resources are needed. It is also recommended that the vendor improve their internal quality control to insure they have a product that is operational before delivery to and testing at the WSLCB.

Issues/Risks:

- Issues Summary:
 - The vendor is not providing the project management that is required in the contract.
 - The vendor needs to improve their communications with the Executive of the WSLCB.
 - The system evaluated did not represent a mature, integrated system as requested by the WSLCB in the RFP, which was evidenced by the significant number of problems encountered during milestone 3B testing.
 - The vendor wants the LCB to share additional cost of meeting the RFP.
 - Milestone 3B testing did not pass acceptance criteria, therefore, there will be further slide in the project schedule. There is no current project schedule. Probability is that the implementation will not occur in 2004.
 - Vendor needs to improve their quality assurance as they are delivering poor quality code that is impacting confidence in the vendor and the system.
 - As a result of the accumulation of the above issues, the WSLCB is considering if it should continue with this vendor.
- Schedule: As a result of the milestone 3B test failure and that the current schedule cannot be used to forecast the completion of the project, the WSLCB has sent a cure letter to GERS requesting, by September 2, 2003, their plan and timeline to implement the MBS system that meets the functional needs in the RFP. Testing for Milestone 3B did not meet the contract's acceptance criteria. The WSLCB does not have a GERS plan to get the system ready for another Milestone 3B test. Additionally, the WSLCB has not seen all of the system functionality in operation, therefore, it is not known what functional gaps will require software development before implementation. This information is a necessary component to developing a viable project schedule.

- Budget/Cost: The WSLCB is adhering to the payments-for-deliverables outlined in the contract. Other than contracting with GERS to develop several required external interfaces and a custom tax calculation module for \$464,000, change orders have been held to a minimum. The WSLCB has committed additional internal staff resources beyond original levels due to the delays in the schedule and to assist with testing. The WSLCB has not hired additional staff to backfill for staff time allocated to support the MBS project.
- Scope: The WSLCB has not adopted any changes to scope since the project started in June 2002. In an attempt to stay on track, GERS has proposed changes to scope and delivery dates as to when functionality would be delivered.
- Resources: The vendor has not kept constant resources assigned to the project and most recently sent new consultants to Olympia for milestone 3B testing. The new GERS resources were unfamiliar with the software functionality that was added for the WSLCB implementation and, therefore, were unable to answer specific WSLCB implementation questions. GERS is on their fourth consultant to provide merchandising expertise, which is the area where the majority of the issues reside. GERS internal communications between their project manager and consultants appears inadequate or non-existent, resulting in conflicting and inconsistent process recommendations, which lead to several delays in setup and testing. The WSLCB has been allocated the GERS 'B' team.
- Project Management/Processes: The contract with GERS calls for them to provide the project management for this project. GERS has not followed through on their agreement in this regard. Discussion with GERS reflects that GERS does not understand the concepts of project management that are expected. The WSLCB has made proposals to GERS related to acquiring this expertise, which have gone unanswered.

Status:

- Life Cycle Stage: Based on the results from testing for milestone 3B, the project is in the development-testing phase. The system evaluated did not represent a mature, integrated system as requested by the WSLCB in the RFP. This failure was evidenced by the significant number of problems encountered during milestone 3B testing. GERS core product seems to be clean but modifications, interfaces, and functional enhancements have been problematic. The contract describes milestone 3B as a user acceptance test with MBS fully configured to meet all business requirements. But by the results of the tests indicate the product is still in a development-testing phase.
- Budget/Cost: The appropriation for this project is \$4,802,720. The GERS contract is for \$4 million. To date, the WSLCB has expenditures totaling \$2,587,787 for host computer equipment, POS and host software, and implementation and contract services. Interface development necessary for existing WSLCB applications and enhancements to the GERS application is an addition to the GERS contract for an additional \$464,000. The WSLCB has strictly adhered to the payment for deliverables as outlined in the contract and has held back partial payments to retain leverage where appropriate. Due to the schedule slippage the WSLCB has extended their quality assurance contract with Sterling Associates for up to 15 additional months.

- Schedule:

Milestones	Original Completion Dates	Projected July Completion Date	New Projected Completion Date
1. Finalize Project Plan and Implementation Plan	October 2002	Complete	Complete
2. Install host equipment and application software	December 2002	Complete	Complete
3A. Configure and test application without mods	February 2003	In progress	Complete
3B. Configure and test with mods and interfaces i.e. user acceptance tests	February 26, 2003	August 2003	In Progress
4. Acquire POS equipment	April 22, 2003	June 2003	Complete
5. Complete pilot	June 30, 2003	May 2004	
6. Complete staff training	April 11, 2003	June 2004	
7. Certify POS stations	June 30, 2003	Sept. 2003	
8. Complete documentation	June 30, 2003	February 2004	

Background Information

Description: The 2001 Legislature authorized the WSLCB to replace its Point of Sale (POS) software with a commercially available product capable of managing and supporting the agency's retail business. These business activities include procurement (timely sales and marketing data), distribution (electronic tracking of shipping and handling), wholesale and special orders, and POS in the 157 state liquor stores. The agent stores are not included in the scope of this project.

The WSLCB selected GERS as the vendor. GERS is a leading supplier of merchandising, point-of-sale, and e-business solutions for retailers. They have installed more than 400 systems for customers in the United States, Canada, and Japan, and cover markets such as general merchandise, specialty soft lines and hard lines, telco, consumer electronics, and home furnishings. Under the WSLCB contract with GERS, GERS will provide project management support for the project.

In January 2003, GERS informed the WSLCB that several required enhancements and interfaces would be delivered three months later than originally scheduled. It was apparent, due to delays of required enhancements and interfaces, that the schedule revised in January would have to be modified, and in May GERS delivered yet another schedule. A revised project plan was proposed. It included a delay that added significant time and milestones (scope) to the project, pushing the start of system implementation to May 2004 with completion in August 2004. GERS has once again proposed a modified schedule with development activities being completed by year-end and implementation earlier in 2004. The July 2003 testing of milestone 3B and the failure to pass acceptance criteria has left the project schedule unclear when the project will be completed.

Technology: The WSLCB has installed the IBM AIX/Oracle platform as proposed by GERS. The project will include replacement of the POS equipment in the state operated liquor stores with industry standard IBM cash registers and related equipment.